

Social Security: Responses to Democratic Myths

| DEMOCRATIC MYTH | THE FACTS |
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| <i>“Raiding” Trust Fund</i> | |
| The Republicans’ budget spends billions of dollars from the Social Security Trust Funds on tax cuts and other programs. | <ul style="list-style-type: none"> • Seniors will continue to receive every penny of their promised benefits. • The trust funds do not contain cash to raid. The trust funds are credited with interest bearing Treasury securities. Also, the law requires that Social Security Trust Funds can only be spent on Social Security benefits or program administration. |
| <i>Tax Cuts</i> | |
| For the same cost as the tax cut, Republicans could save Social Security. | <ul style="list-style-type: none"> • Raising taxes may be the Democrats idea on how best to strengthen Social Security – but it’s not ours. • Enhanced economic growth, savings and productivity, achieved through lower taxes, are among the best ways to prepare for the wave of baby-boomer retirements. • Democrats’ answer of pumping in general revenues to Social Security is the Energizer Bunny of tax increases—they would just keep growing and growing and growing, equaling \$1,300 for every man, woman, and child in the U.S. today when the trust funds run out in 2042, growing to \$3,000 per person in 75 years, then still growing after that. • Since its inception, Social Security has been self-financed—earned and paid for by workers. If we abandon that principle and use income tax money to pay up to \$1 of every \$3 in benefits in the future, then we risk changing Social Security into a handout rather than an earned benefit. We also risk siphoning resources away from other important programs, like Medicare, education, and homeland security. |
| <i>Voluntary Personal Accounts</i> | |
| Republicans want to “privatize” Social Security. | <ul style="list-style-type: none"> • No Republican proposal “privatizes” Social Security. Such mistruths are intended to scare seniors. Under any plan, the Social Security Administration would continue to serve the public and send out checks, just as it always has. |
| Privatization means workers’ benefits will depend on risky private accounts. | <ul style="list-style-type: none"> • Social Security is at risk today because it WILL NOT have enough money to pay full benefits without benefit cuts or tax increases. • <i>Voluntary personal</i> accounts minimize risk by offering prudent, diversified investments, providing a floor of protection for low-wage workers, or even guaranteeing current law benefits regardless of the account’s investment performance- eliminating individual investment risk. |
| Low-wage earners are hurt by Republican efforts to create private accounts. | <p>WRONG –<i>voluntary personal</i> account proposals would:</p> <ul style="list-style-type: none"> • Protect features low-wage earners most rely on: COLAs, lifetime benefits, progressive benefit formula, survivor and disability benefits; • Increase widows’/widowers’ benefits and provide minimum benefits to protect low-wage workers; • Split accounts equally between man and wife at divorce; • Provide the ability to build a retirement nest egg that could be left to survivors. |

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| <i>President's Commission</i> | |
| The Commission's plans cost trillions of dollars, cut benefits, and still leave Social Security insolvent in the long-term. | <ul style="list-style-type: none"> • Plans with personal accounts improve Social Security benefits and its long-term financial outlook. • Social Security has a \$26 trillion cash shortfall (in today's dollars) over the next 75 years - that equals over \$90,000 per man, woman, and child alive today. Any plan will require a transition investment to help close that gap. • When American families save money today, these savings grow to help pay expenses in the future. Social Security personal accounts work the same way. Personal account savings today will grow to help reduce payroll tax dollars needed to finance Social Security in the future. • The Commission's plans would provide benefits larger than those received by today's retirees and ultimately greater than what is payable under the current system. |
| The President's Commission offered plans that would cut benefits for disabled individuals and survivors. | <ul style="list-style-type: none"> • The Commission did not recommend cutting disability benefits – it specifically said it was not making recommendations on disability benefits. • The Commission actually improved widows' benefits by allowing widows to collect 75% of the couple's benefit, rather than the 50-67% available under current law. |
| House Republicans voted to support the White House's privatization commission. | <ul style="list-style-type: none"> • House Republicans voted to allow the President's Commission to complete its work without prejudgment. • During the Treasury Appropriations debate in the 107th Congress on July 25, 2001, Rep. Filner offered an amendment prohibiting the use of funds to implement recommendations of the bipartisan President's Commission. He offered this amendment before the Commission had either developed or published its recommendations. • Republicans voted against the amendment because we needed to allow the President's Commission to complete its important mandate (vote #273). |